ARIZONA CORPORATION COMMISSION UTILITIES DIVISION

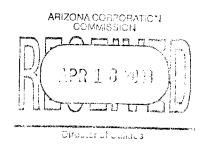
ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

W-02859A



DIVERSIFIED WATER UTILITIES, INC. P.O. BOX 17357 PHOENIX, AZ 85011

ANNUAL REPORT



Enteredos.

FOR YEAR ENDING

12 31 2002

FOR COMMISSION USE

AKN 04 02

COMPANY INFORMATION

Company Name (Business Name)	IVERSIFIED WATER UTILITIES	S, INC.
Mailing Address P D B TX	17357	
Mailing Address POBOX (Street) (City) (City) Telephone No. (Include Area Code)	n	SCD11
City)	(State)	(Zip)
(602) 840-Sto0	(602) 840-6030	De la
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address		
Local Office Mailing Address 50	he	
Local Office Mailing Address Subject (S	Street)	
(City)	(State)	(Zip)
(==5)		
Local Office Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address		
Email Address		
MANA	GEMENT INFORMATIO	N
	11	0 . 0
Management Contact: 5 PDB0×17357 (Street) (602) 846-9400	cott W. Gray	President (Title) R2 85011
22.5.20	(Name)	(Title)
P 0 60× 17357	Phoenix	$\begin{array}{c c} & & & & & & & \\ \hline & & & & & & & \\ \hline & & & &$
(Street)	(601) 846 - 6070	(State)
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address	·	
On Site Manager: To A W	ill Cohson, First N	ational Management
POBOX 1020	Apache Junctur	A 85217
(Street)	(City)	(State) (Zip)
, ,	14807677-6082	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
For it Address		
Email Address		

State of the	1.) C		
Statutory Agent: Scott	(Name)	^	
Porsox 17357 (Street)	Phoenix	102 8501)	
(Street)	(City)	(State) (Zip)	
Telephone No. (Include Area Code)	(602) 840 - 603 (Fax No. (Include Area Code	Pager/Cell No. (Include Area Code)	
Attorney: William ?		The2 & Cartis	
	(Name)		
2712 N, 7th St. (Street) (602) 248,0372	Phoenso	(State) & S 00 6 (Zip)	
(602) 248,0372	(City)	(
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
<u>O'</u>	WNERSHIP INFORMA	<u> TION</u>	
Check the following box that applies t	o your company:		
Sole Proprietor (S)	C Corporation (C) (Other than Association/Co-op)		
Partnership (P)	Subchapter S	Corporation (Z)	
☐ Bankruptcy (B)	Association/C	o op (A)	
☐ Receivership (R)	Limited Liabi	lity Company	
Other (Describe)			
	COUNTIES SERVED	<u>.</u>	
		:1	
Check the box below for the county/ie	es in which you are certificated to	o provide service:	
□ АРАСНЕ	☐ COCHISE		
☐ GILA	☐ GRAHAM	☐ GREENLEE	
☐ LA PAZ	☐ MARICOPA	☐ MOHAVE	
☐ NAVAJO	☐ PIMA		
☐ SANTA CRUZ	☐ YAVAPAI	☐ YUMA	
☐ STATEWIDE			

UTILITY PLANT IN SERVICE

Acct.	DECCRIPTION	Original Cost (OC)	Accumulated Depreciation	O.C.L.D. (OC less AD)
No.	DESCRIPTION	Cost (OC)	(AD)	(OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights	4,668		4,668
304	Structures and Improvements	24,519	2,380	22,139
307	Wells and Springs	107,698	33,730	73,968
311	Pumping Equipment	57,946	20,380	37,566
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	127,227	14,064	113,163
331	Transmission and Distribution Mains	395,318	48,783	346,535
333	Services	32,390	4,684	27,706
334	Meters and Meter Installations	50,526	7,270	43,256
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	1,607	171	1,436
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment	_		
347	Miscellaneous Equipment			
348	Other Tangible Plant	43,045	3,064	39,981
	TOTALS	844,944	134,526	710,418

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME DIVERSIFIED WATER UTILITIES, INC.

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct.		Original	Depreciation	Depreciation
No.	DESCRIPTION	Cost (1)	Percentage (2)	Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights	4,668		
304	Structures and Improvements	24,519	3.56%	873
307	Wells and Springs	107,698	3.56%	3,834
311	Pumping Equipment	57,946	3.56%	2,063
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	127,227	3.56%	4,529
331	Transmission and Distribution Mains	395,318	3.56%	14,073
333	Services	32,390	3.56%	1,153
334	Meters and Meter Installations	50,526	3.56%	1,799
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	1,607	3.56%	57
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant	43,045		1,532
	SUBTOTALS	844,944		29,913
	Less: Amortization of Contributions			(3147)
	TOTALS	844,944		26,766

This amount goes on Comparative Statement of Income and Expense Acct. No. 403.



To The Board of Directors of Diversified Water Utilities, Inc. Phoenix, Arizona

We have compiled the balance sheet of Diversified Water Utilities, Inc. as of December 31, 2002 and 2001, and the related comparative statement of income and expenses for the years then ended included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission information that is the representation of management. We have not audited or reviewed the financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the Arizona Corporation Commission, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

All other information contained in the accompanying prescribed form has not been audited, reviewed, or compiled by us and, accordingly, we assume no responsibility for that information.

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in these financial statements.

ULLMANN & COMPANY, P.C.

Certified Public Accountants

April 14, 2003

COMPANY NAME DIVERSIFIED WATER UTILITIES, INC.

BALANCE SHEET

Acct. No.		BEGI	ANCE AT NNING OF YEAR	E	ANCE AT END OF YEAR
	ASSETS		IEAN		IEAK
	CURRENT AND ACCRUED ASSETS				
131	Cash	\$	2,429	\$	56,815
134	Working Funds			ļ	
135	Temporary Cash Investments				
141	Customer Accounts Receivable		20,376		3,282
146	Notes/Receivables from Associated Companies				
151	Plant Material and Supplies				
162	Prepayments				
174	Miscellaneous Current and Accrued Assets		41,512		0
	TOTAL CURRENT AND ACCRUED ASSETS				
		\$	64,317	\$	60,097
	FIXED ASSETS				
101	Utility Plant in Service	\$	706,891	\$	844,944
103	Property Held for Future Use				
105	Construction Work in Progress				
108	Accumulated Depreciation - Utility Plant		103,081		134,526
121	Non-Utility Property				
122	Accumulated Depreciation - Non Utility				
	TOTAL FIXED ASSETS	\$	603,810	\$	710,418
	TOTAL ASSETS	\$	668,127	\$	770,515

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page

COMPANY NAME DIVERSIFIED WATER UTILITIES, INC.

BALANCE SHEET (CONTINUED)

Acct.		_	ANCE AT	ANCE AT
No.	. LIABILITIES		GINNING F YEAR	ND OF YEAR
	CURRENT LIABILITES			
231	Accounts Payable	\$	-	
232	Notes Payable (Current Portion)			 35,000
234	Notes/Accounts Payable to Associated Companies			 A . M*
235	Customer Deposits		7,105	10,000
236	Accrued Taxes		793	788
237				
241	Miscellaneous Current and Accrued Liabilities		110,776	62,318
	TOTAL CURRENT LIABILITIES	\$	118,674	\$ 108,106
	LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	\$	18,604	\$ 34,607
	DEFERRED CREDITS			
251	Unamortized Premium on Debt			
252	Advances in Aid of Construction		404,850	430,737
255	Accumulated Deferred Investment Tax Credits			
271	Contributions in Aid of Construction		38,250	88,400
272	Less: Amortization of Contributions		1,539	4,686
281	Accumulated Deferred Income Tax			
	TOTAL DEFERRED CREDITS	\$	441,561	\$ 514,451
	TOTAL LIABILITIES	\$	578,839	\$ 657,164
	CAPITAL ACCOUNTS			
201	Common Stock Issued	\$	2,000	\$ 2,000
211	Paid in Capital in Excess of Par Value			
215	Retained Earnings		87,288	111,351
218	Proprietary Capital (Sole Props and Partnerships)			
	TOTAL CAPITAL	\$	89,288	\$ 113,351
	TOTAL LIABILITIES AND CAPITAL	\$	668,127	\$ 770,515

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct.	OPERATING REVENUES	PRIC	OR YEAR	CURI	RENT YEAR
461	Metered Water Revenue	\$	151,810	\$	164,161
460	Unmetered Water Revenue				
474	Other Water Revenues		1,265		4,474
	TOTAL REVENUES	\$	153,075	\$	168,635
·- · · · ·	OPERATING EXPENSES				
601	Salaries and Wages	\$	-	\$	-
610	Purchased Water		623		0
615	Purchased Power		8,969		8,216
618	Chemicals				5,501
620	Repairs and Maintenance		3,316		10,615
621	Office Supplies and Expense		3,843		4,393
630	Outside Services		15,387		52,598
635	Water Testing		9,790		859
641	Rents		1,200		2,400
650	Transportation Expenses		6,365		5,833
657	Insurance - General Liability		2,178		2,334
659	Insurance - Health and Life				
666	Regulatory Commission Expense - Rate Case				
675	Miscellaneous Expense		11,760		14,936
403	Depreciation Expense		23,690		26,766
408	Taxes Other Than Income				
408.11	Property Taxes		4,719		5,733
409	Income Tax				
	TOTAL OPERATING EXPENSES	\$	91,840	\$	140,184
	OTHER INCOME/EXPENSE				
419	Interest and Dividend Income	\$	159	\$	24
421	Non-Utility Income				
426	Miscellaneous Non-Utility Expenses	1	V		
427	Interest Expense	1	4,802		4,412
	TOTAL OTHER INCOME/EXP	\$	(4,643)	\$	(4,388)
	NET INCOME/(LOSS)	\$	56,592	\$	24,063

COMPANY NAME DIVERSIFIED WATER UTILITIES, INC.

SUPPLEMENTAL FINANCIAL DATA Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
	1997	2002		
Date Issued				
	HARRIS TRUST	WIFA NOTE		
Source of Loan	NOTE			
ACC Decision No.				
	PLANT	PLANT		
Reason for Loan	IMPROVEMENT	IMPROVEMENT		
Dollar Amount Issued	\$40,000	\$72,014	\$	\$
	\$11,598	\$58,008	\$	\$
Amount Outstanding	09/30/04	Ψ50,000	Ψ	
Date of Maturity	09/30/04			
	9.5%			
Interest Rate				
Current Year Interest	\$1,733	\$2,679	\$	\$
Current Year Principle	\$7,005	\$14,006	\$	\$

Meter Deposit Balance at Test Year End	\$141,832
Meter Deposits Refunded During the Test Year	\$11,677

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
56-607258.UMP	30	190	800	14	6	

Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None	ž.	

BOOSTER PUMPS		FIRE HYDRANTS		
Horsepower Quantity		Quantity Standard	Quantity Other	
10 horsepower	2_	None		
J				

Capacity Quantity Capacity Quantity 2 00,000 1 5,000 2 20,000 1	STORAGE TAI	NKS	PRESSUR	E TANKS
2 0,000	Capacity	Quantity	Capacity	Quantity
20; 100	2 00,000	1	5,000	2
	20,000	l	,	

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

					_
7	1	Δ	п	N	C

Size (in inches)	Material	Length (in feet)
2	PUC	1,361
3		Carote
4	009/888/Ab	Corple 7066
5	- ,	
6	PUC/C300	25 326
8	CGOO	20,289
10		
12	C900	630

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X ³ / ₄	239
3/4	6
1	2
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

TREATMENT EQUIPMENT:

Chloring three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

Chloring treatment equipment - liquid

STRUCTURES:
2 - utility sheds

OTHER:

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2002

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	208	1,441820	1502.50
FEBRUARY	208	1,674,767	1735.80
MARCH	208	1841500	1887.10
APRIL	209	2 244 600	2 251.83
MAY	209	2905 6 in	2'985.60
JUNE	216	2,332,900	3334.30
JULY	231	2743600	2923.60
AUGUST	232	2962900	3086.80
SEPTEMBER	234	2350,800	2410.80
OCTOBER	235	2426200	2'460,20
NOVEMBER	240	1904,900	1366.00
DECEMBER	247	1,826.8W	1887.80
	TOTAL	N/A	28,425.85
		27656387 cm	,

Is the Water Utility located in an ADWR Active Management Area (AMA)?

(X) Yes () No

Does the Company have An ADWR Gallons Per Capita Per Day (GPCPD) requirement?

() Yes (≼) No

If yes, provide the GPCPD amount:

What is the level of arsenic for each well on your system. <u>0.0030</u> mg/l (If more than one well, please list each separately)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME DIVERSIFIED WATER UTILITIES, INC.	YEAR ENDING 12/31/2002
PROPERTY TAXES	
Amount of actual property taxes paid during Calendar Year 2002: \$	5,733
Attach to this annual report proof (e.g. property tax bills stamped "pa Checks for property tax payments) of any and all property taxes paid	id in full" or copies of cancelled during the calendar year.
If no property taxes paid, explain reasons below:	

YEAR ENDING 12/31/2002

COMPANY NAME DIVERSIFIED WATER UTILITIES, INC.

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	N/A- S Corporation
Estimated or Actual Federal Tax Liability	N/A- S Corporation

State Taxable Income Reported	N/A- S Corporation
Estimated or Actual State Tax Liability	N/A- S Corporation

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	0
Amount of Gross-Up Tax Collected	0
Total Grossed-Up Contributions/Advances	0

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

Scott W. Gray

PRINTED NAME

President

TITLE

VERIFICATION AND SWORN STATEMENT Intrastate Revenues Only



VERIFICATION
STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

	Director of Control
COUNTY OF (COUNTY NAME)	
MARICOPA	
NAME (OWNER OR OFFICIAL) TITLE SCOTT W. GRAY	
COMPANY NAME DIVERSIFIED WATER UTILITIES	S, INC.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA COPRORATION COMMISSION

FOR THE YEAR ENDING

MONTH DAY YEAR
12 31 2002

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM <u>ARIZONA INTRASTATE</u> UTILITY OPERATIONS DURING CALENDAR YEAR 2002 WAS:

(602) 8 TELEPHONE NUMBER

Arizona IntraState Gross Operating Revenues Only (\$)	
\$179,506	

(THE AMOUNT IN BOX ABOVE INCLUDES \$ 10,872 IN SALES TAXES BILLED, OR COLLECTED

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

April 2003

5 DAY OF

(SEAL)
MY COMMISSION EXPIRES

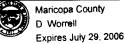
Maricapa

Month April 2003

-5400

SIGNATURE OF NOTARY PUBLIC

Notary Public State of Arizona



VERIFICATION AND SWORN STATEMENT RESIDENTIAL REVENUE



VERIFICATION

INTRASTATE REVENUES ONLY

CT A	TF	\mathbf{OE}	A D	IZON	٨

I, THE UNDERSIGNED

MARICOPA (COUNTY NAME) TITLE PRESIDENT SCOTT W. GRAY NAME (OWNER OR OFFICIAL) COMPANY NAME DIVERSIFIED WATER UTILITIES, INC.

OF THE

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH YEAR DAY 31 2002 12

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2002 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES	(THE AMOUNT IN BOX AT LEFT INCLUDES \$ 10,872	
\$ <u>179,506</u>	IN SALES TAXES BILLED, OR COLLECTED	

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED.

SIGNATURE OF OWNER OR OFFICIAL

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

15

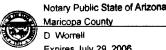
DAY OF

NOTARY PUBLIC NAME 2003

(SEAL)

MY COMMISSION EXPIRES

SIGNATURE OF NOTARY PUBLIC



Pinal County Treasurer TAX RECEIPT PO Box 729

Florence, AZ 85232-0729

Phone: (520) 868-6412 Fax: (520) 868-9007 www.co.pinal.az.us/treasurer e-mail: treasurer@co.pinal.az.us

Paid By:

DIVERSIFIED WATER UTILITIES INC

SCOTT W GRAY/PRESIDENT

P O BOX 17357

Payment Date:

MAIL Batch:

2031939 10/23/2002

Interest Date:

10/23/2002

Printed By:

TRSCAS

PHOENIX AZ 85011		Printed By:	TRSCAS
Parcel Number Description	_ Amt Pd	Balance Due	If Paid By
921-50-12908 2002 Taxes Paid Total Paid TOTAL VALUE OF OPERATING PROPERTY 210-04-119 2,784	2,826.05 2,826.05 2,826.05	2,826.05	05/01/2003

